

A wide-angle photograph of a lush green wheat field stretching to the horizon. The sky is a vibrant blue, filled with large, fluffy white cumulus clouds. The perspective is from a low angle, looking across the field.

OECD Indicators: Strengths and Weaknesses

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Objectives

Discuss strengths and weaknesses of OECD agricultural support indicators:

- PSE (producer support estimate)
- MPS (market price support)
- CSE (consumer support estimate)



Strengths

- The only readily available source of internationally comparable information on government support for agriculture in OECD countries
- Consistent methodology across countries and over time
- Has led to more transparency about agricultural policies in OECD countries
- Important source of data for economic modeling of the impacts of agricultural policies



Strengths (continued)

- Policy coverage for MPS
 - All policies, including non-tariff measures, that create a gap between the domestic price and the border price
- Breadth of policy coverage for PSE
 - Market price support (MPS)
 - Payments based on current output, input use, current or historical acreage or animal numbers, non-commodity criteria



Weaknesses, Limitations

- Methodological limitations
- What the indicators are, what they are not
 - ... agricultural policy impacts on
 - **International trade**
 - **Economic welfare**



Methodological Limitations

- MPS isn't estimated for all commodities produced in a country
 - For up to 30% of products, MPS is imputed when calculating national MPS
 - The 30% are assumed to have the same MPS on average as the other 70%
- National averages across commodities are calculated using value of production as the weight
 - This tilts the averages toward heavily protected commodities



Methodological Limitations (continued)

- Irrigation water subsidies aren't included
 - What is the reference (comparison) price to the price paid by farmers?
- No ideal solution to any of these limitations



What the Indicators Aren't

- They're not designed to be measures of policy impacts, especially impacts on international trade and economic welfare
- Heating fuel analogy
 - **OECD indicators measure the amount of fuel used in your house**
 - **They don't tell you what the temperature in your house is**

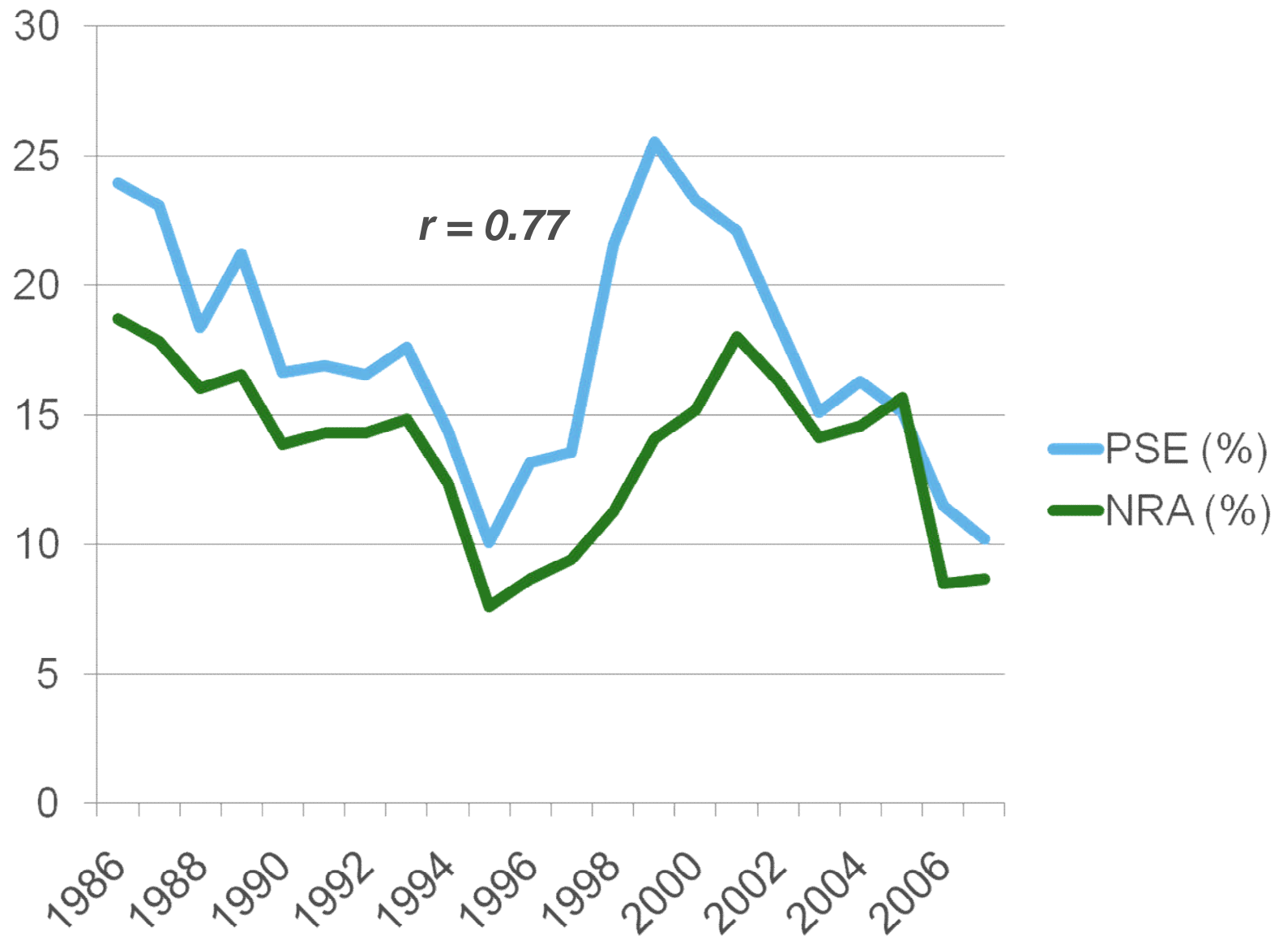


World Bank Estimates

- World Bank's Distortions to Agricultural Incentives Project
- Alternate measure of producer support – nominal rate of assistance (NRA)
- Measures of policy impacts:
 - Trade reduction index (TRI)
 - Welfare reduction index (WRI)
- How closely does OECD's PSE line up with these measures for the US?
- Caveat: these measures have their own methodological issues



United States: PSE, NRA



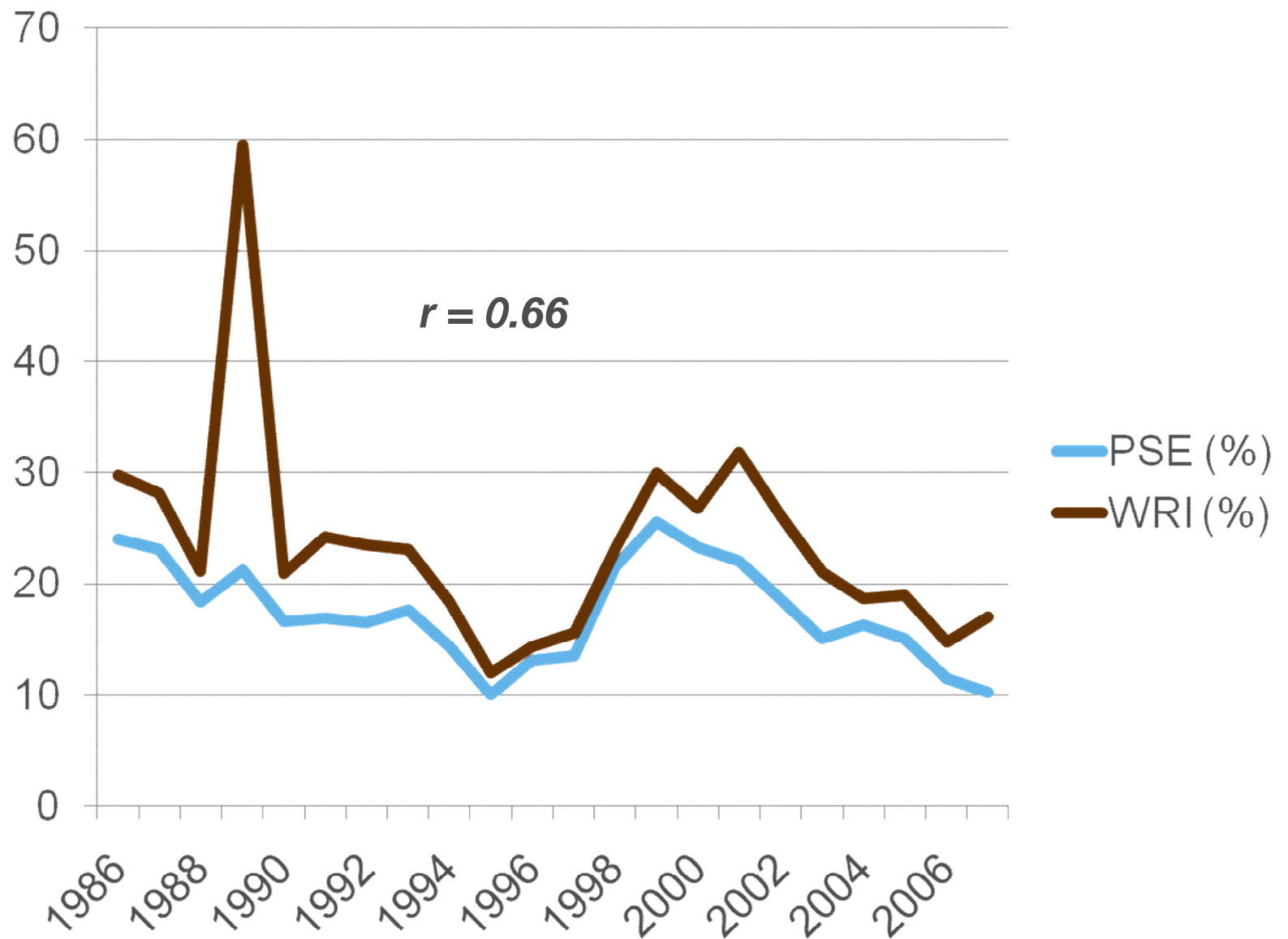


United States: PSE, TRI





United States: PSE, WRI



Conclusions

- OECD indicators are of significant value in tracking agricultural policy over time in OECD countries
- They aren't designed to be measures of policy impacts
- The PSE agrees fairly well for the US with measures from the World Bank's Ag Distortions project